

INSIDE ADVICE

Atlanta prices holding steady, for now

The recent media meltdown over subprime mortgages served to focus public attention like a laser beam on the current residential real estate slowdown. But other news events have shifted the focus, and things don't look quite as bad as they did when the spotlight was on.

The Office of Federal Housing Enterprise Oversight (on the Web at ofheo.gov) recently released its national Housing Price Index, called the HPI. The most current survey covers sales and refinance information for the period ending June 30, so it's likely the best information available.

In addition, the HPI is widely regarded as the broadest measure of housing price movement, because it reflects appraisal information for all Fannie Mae and Freddie Mac loans, including both sales and refinancing. Only in the HPI are these transactions reflected as well as sales data.

The nation as a whole saw prices in the second quarter of 2007 approximately 3.2 percent higher than they were a year ago, with a national gain of only one-tenth of 1 percent from the first quarter of this year. Many pundits had predicted that a substantial drop in home values would be indicated, but the numbers told a different tale. Even

inching out an annual appreciation rate of 1.29 percent. That surprised even me.

The New England states of Rhode Island and Massachusetts each saw statistically insignificant drops of less than 1 percent each. And finally Rust Belt Michigan dropped 1.42 percent.

One interesting result of this most recent survey is that 18 of the 20 cities showing the lowest appreciation nationwide were located in either Florida or California. It seems that price declines are largely limited to those areas that experienced the most unrealistic price run-ups in the recent past.

One of the significant conclusions that can be reached is that the residential real estate market is not as bad off as the media would have us believe.

Yes, there has been a significant tightening of credit policies over the past few months, and yes, it is harder for marginally qualified first-time buyers and big spenders to get a loan, but that has not caused prices to go down in most of America.

And yes, we are experiencing a dramatic increase in the number of homes being foreclosed by lenders. In fact, in the 13-county Atlanta area, we have seen the number of homes advertised as going into foreclosure

more than triple since 2000, when more than 15,000 homes went into foreclosure. Yes, I predict we will see more than 50,000 homes listed in foreclosure publications this year. And sales volume in metro Atlanta is off some 30 percent from where it was this time last year, and that's not good. But even so, those facts have so far not sparked a drop in prices in the Atlanta area.

The fact is that all real estate is local. And the Atlanta Regional Commission has forecast that our local population will rise from an estimated 5 million people today to almost 7 million by the year 2030. Each of those new residents will need someplace to live, whether it's a renovated house, an apartment building or a mansion on the Chattahoochee River. If the ARC is right, we'll need a lot of new construction over the next couple of decades, and that bodes well for the future.

For now, all we can say for sure is that housing prices remain basically flat and sales are still well below our boom highs. Let's hope that this is the worst we see.

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so, this gain represents the smallest increase in year-over-year prices since 1996-97.

We should remember that almost 70 percent of homes in America are owned by the family living in them. So if a seller can't get at least as much as he paid for a house, he often decides to take the home off the market and just stay. This has a strong stabilizing effect on prices.

Prices in Georgia as a whole fared better than the national average, with an increase in home prices of 4.64 percent from a year ago. And while prices inched up from the first quarter by only half a percent, that is larger than the nation managed. Georgia ranked 23rd in appreciation.

So where is this massive decline in prices that we had all been led to believe was surely on its way?

Out West, California and Nevada showed annual declines of less than 2 percent. Avoiding that fate was formerly red-hot Florida,